Participating Primary Dealers:

Bank of America, Barclays, Belfius Bank, BNP Paribas Fortis, Citigroup, Crédit Agricole CIB, Deutsche Bank, HSBC, J.P. Morgan, KBC Bank, Morgan Stanley, Natixis, NatWest (RBS), Nomura, Société Générale Corporate & Investment Banking

No 105 September 2024 Last update: 26 september 2024 Next issue: January 2025

- MACROECONOMIC DEVELOPMENTS: Global growth is steady but downside risks mount
- FINANCIAL MARKETS AND INTEREST RATES: Long-term government bond yields fell as central banks cut key interest rates
- SPECIAL TOPIC: A resilient Belgian labour market
- TREASURY HIGHLIGHTS: 89 % of the 2024 funding target has been raised

CONSENSUS **Average of participants' forecasts**

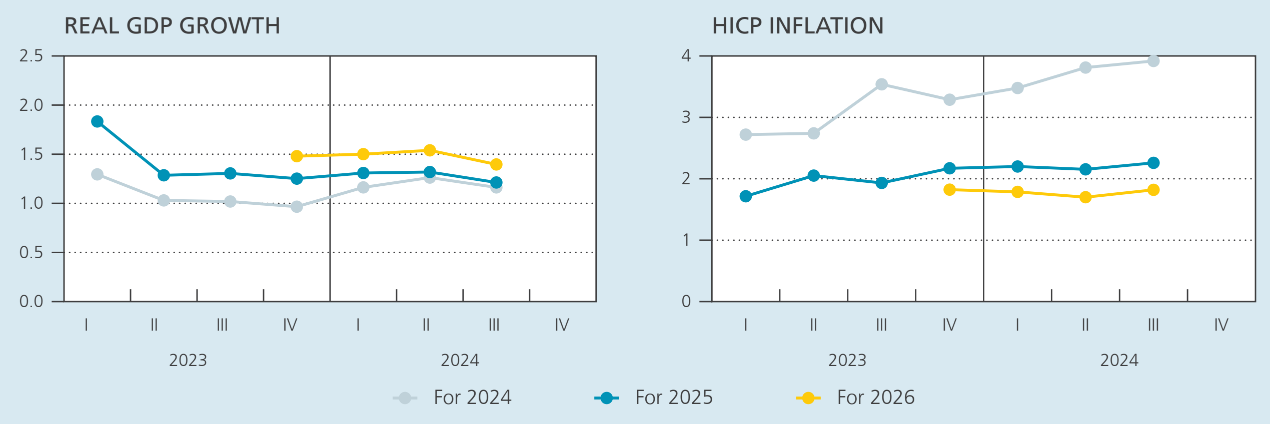
A spreadsheet available on the NBB's website provides more information on the individual forecasts.

	Belgium				Euro area			
	2023	2024e	2025e	2026e	2023	2024e	2025e	2026e
Real GDP[1]	1.4	1.2	1.2	1.4	0.5	0.7	1.2	1.3
Inflation (HICP)[1]	2.3	4.0	2.3	1.8	5.4	2.4	2.0	2.0
Government budget balance[2]	−4.4	−4.6	−4.8	−5.0	−3.6	−3.1	−2.8	−2.6
Public debt[2]	105.2	106.1	107.5	109.2	88.5	89.0	89.1	89.5

1 Percentage changes.
2 EDP definition; percentages of GDP.

FORECASTS FOR BELGIUM

(the lines show the evolution since the start of 2023 of the growth and inflation forecasts for the calendar years 2024, 2025 and 2026)



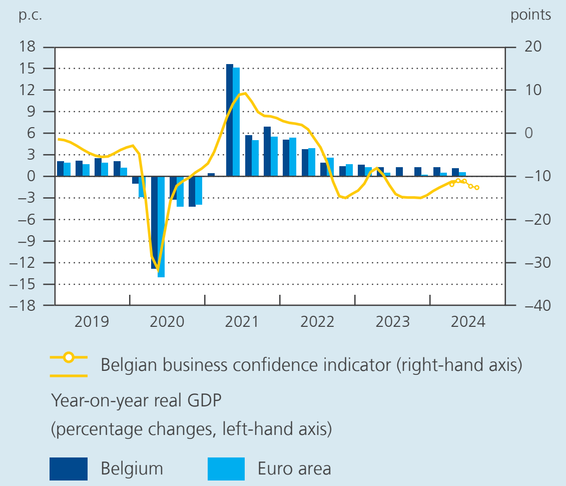
Source: Belgian Prime News.

MACROECONOMIC DEVELOPMENTS **Global growth is steady but downside risks mount**

So far this year, the global economy has shown steady growth, in line with the expectations of international institutions. September flash PMI data suggest that GDP growth in advanced economies weakened at the end of Q3. In its latest forecast, the ECB continues to anticipate global growth of just over 3 % in the coming years, despite intensified headwinds, with global trade expected to expand at a similar pace following its rebound in early 2024. However, the US economy appears to be slowing down and the outcome of the November presidential elections may bring about a shift in the global growth and trade outlook.

In the first half of 2024, economic activity in the euro area picked up again. However, the recovery is still considered fragile, with recent indicators suggesting somewhat weaker growth momentum in the second half of the year. In terms of the annual outlook, Belgian Prime News (BPN) participants expect the **euro area economy to grow by 0.7 % in 2024. Annual growth is only expected to pick up to 1.2 % - 1.3 % in 2025 and 2026**. The September consensus forecasts are largely in line with those from June. As revealed by the detailed data annexed to this issue of BPN, respondents remain quite uncertain about the outlook, even with regard to the second half of 2024, as reflected in the relatively wide range of individual forecasts. **Respondents currently expect euro area inflation to come in at 2.4 % in 2024**, down from the average rate of 5.4 % recorded in 2023, and to reach 2 % on average in 2025 and 2026.

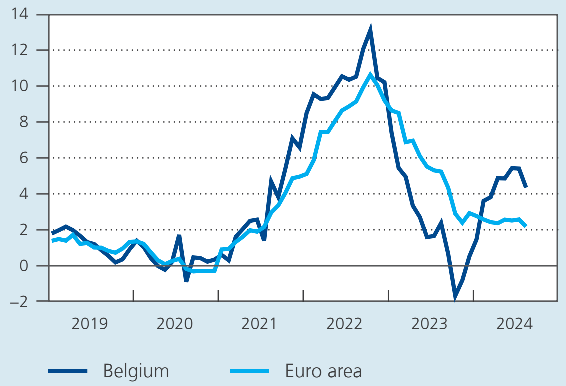
GDP GROWTH AND BUSINESS CONFIDENCE



Sources : EC, NAI, NBB.

Recently, Belgian economic growth has weakened somewhat. It came in at 0.2 % on a quarterly basis in Q2, which can in part be attributed to a specific shock that affected vehicle manufacturing. According to the September NBB Business Cycle Monitor, a similar pace of growth could reasonably be expected for Q3. **BPN respondents expect real GDP growth in Belgium to reach 1.2 % in 2024 and 2025. As for 2026, BPN respondents expect real GDP growth to amount to 1.4 %.**

INFLATION (HICP)
(annual percentage changes)



Source : EC.

Economic growth has been less labour-intensive of late: the Belgian labour market has moderated for seven quarters in a row now, with job creation expanding by a mere 0.1 % on average per quarter since the end of 2022. However, the harmonised unemployment rate remains very low and is expected to stay below 6 % in the coming years, with the labour market remaining quite tight, as discussed in this issue's special topic.

The Belgian headline inflation rate is currently nearly twice as high as that of the euro area, due inter alia to greater sensitivity to market prices for energy, but it should gradually return towards 2 %. **According to the latest BPN consensus forecast, the headline inflation rate in Belgium is expected to average around 4.0 % in 2024, before dropping back to 2.3 % in 2025 and to 1.8 % in 2026.**

Turning to public finances, as highlighted in the previous Belgian Prime News special topic on budgetary challenges, the European Commission opened an excessive deficit procedure (EDP) against Belgium in June and required a fiscal structural plan to be submitted by 20 September. However, in view of the ongoing negotiations to form a government at federal level, a postponement until the end of the year has been requested. BPN participants currently expect the budget balance to remain high after 2023, at 4.6 % of GDP in 2024, 4.8 % of GDP in 2025, and even 5.0 % of GDP in 2026. Furthermore, they still see Belgian public debt edging upwards in the coming years, rising from around 105 % of GDP in 2023 to 109 % of GDP by 2026.

FINANCIAL MARKETS AND INTEREST RATES

Long-term government bond yields fell as central banks cut key interest rates

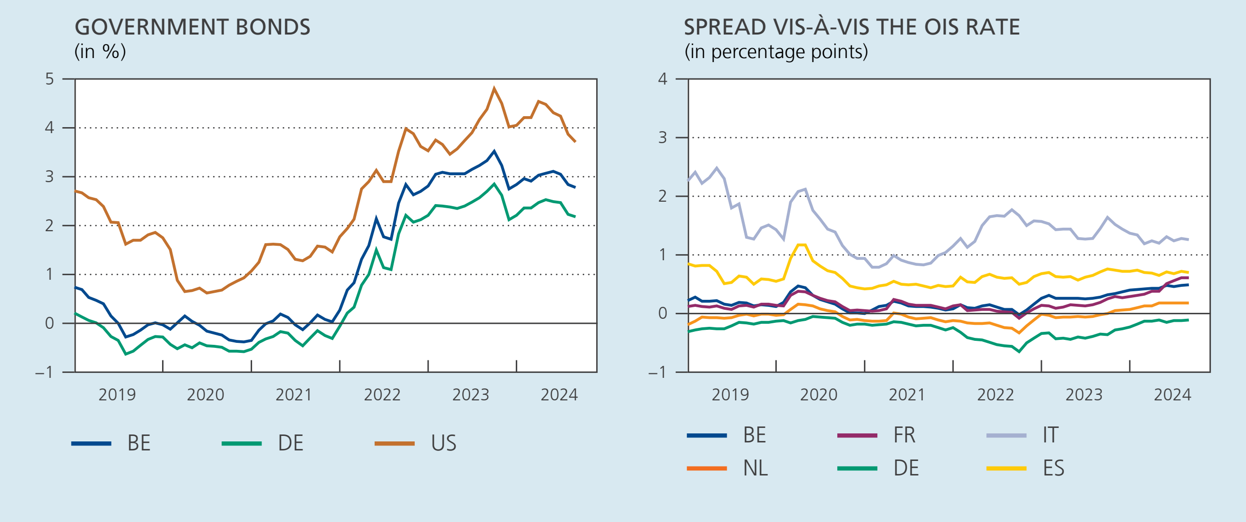
Over the course of the third quarter, inflation rates in the US and the euro area fell back towards their respective targets. Against this backdrop, the Federal Reserve decided to lower the target range for the federal funds rate by 50 basis points to 4.75 % - 5 %, marking the beginning of a rate-cutting cycle. For its part, the ECB decided to lower its deposit facility rate (DFR) by 25 basis points to 3.50 % and signalled that policy rates will be kept sufficiently restrictive for as long as necessary to ensure that inflation returns to the 2 % medium-term target in a timely manner. The ECB also reduced the spread between the interest rate on the main refinancing operations (MROs) and the DFR from 50 to 15 basis points, as announced in March 2024 upon the conclusion of its operational framework review. The interest rates on the MROs and on the marginal lending facility now stand at 3.65 % and 3.90 %, respectively.

Tempered concern about inflation, lower policy rates and a slowing global economy drove down long-term government bond yields in the US and euro area during the third quarter of this year. Belgian and German ten-year government bond yields decreased by 33 and 31 basis points, respectively, from 3.11 % and 2.49 % in June to 2.78 % and 2.18 % in September. Over the same period, the US ten-year sovereign bond yield fell by 60 basis points, settling at 3.71 %.

While asset markets are priced for a soft landing, fears of a recession, announcements by central banks and the unwinding of carry trades and leveraged positions led to a temporary spike in volatility in August. Stock market volatility indices in the US and the euro area – as measured by the VIX and VSTOXX – peaked at 39 % and 31 %, respectively, in August. Other financial market indicators also point to a moderate slowdown in the global economy. Corporate bond spreads in the US and the euro area ticked up while (dated Brent) crude oil prices fell to $ 77 per barrel.

Sovereign spreads vis-à-vis the overnight indexed swap (OIS) rate – where the OIS rate is used to measure the level of the risk-free rate – showed some divergence across euro area economies in the third quarter of 2024. The French spread widened by ten basis points, amid political uncertainty and concerns about high public deficits. In Belgium, the sovereign spread increased slightly. In September, the average French spread stood at 61 basis points, thus above the 49 basis points observed in Belgium. By the end of the period under review, the French spread was approaching that of Spain. In Italy, the spread decreased by five basis points to 1.26 %.

10-YEAR INTEREST RATES
(monthly averages)



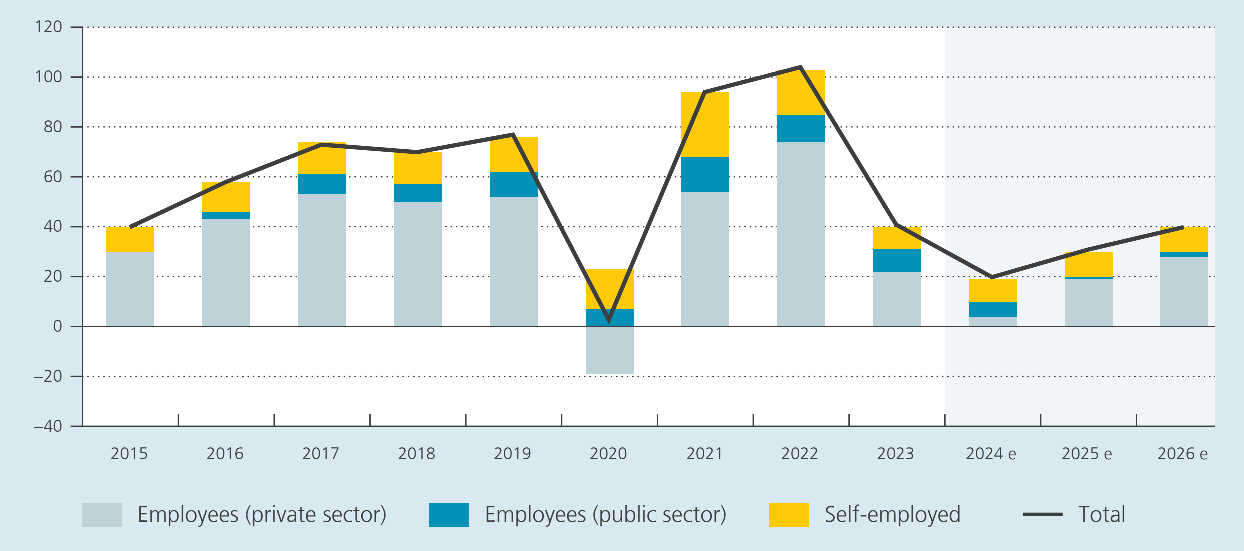
Sources : LSEG Data & Analytics. Average over the first 24 days for September 2024.

The last five years have been marked by a succession of external shocks: the COVID-19 crisis, the resurgence of inflation in the context of the post-pandemic recovery, and the Russian invasion of Ukraine. Faced with these upheavals, the Belgian economy and the labour market have proved remarkably resilient, due in part to the massive support policies put in place by the government that acted as a buffer. For example, temporary unemployment benefits for salaried workers and a replacement income scheme for self-employed workers (the "bridging right") helped to limit job losses during the slump in economic activity during the pandemic, albeit at a significant cost to the public finances. When inflation rose sharply, household purchasing power and domestic demand benefited from automatic wage indexation, supplemented by energy-related fiscal support measures. However, indexation weighed on companies' cost competitiveness and the fiscal measures pushed up the budget deficit.

The post-COVID recovery has been accompanied by spectacular growth in the number of people employed. Even in 2020, at the height of the health crisis and while the economy contracted, 3 000 new jobs were created. Net job creation surged in 2021 and 2022, at + 94 000 and + 104 000 respectively. By 2023, the pace had slowed to + 41 000, close to the average observed over the 2000 - 2019 period.

The continued and sustained growth in self-employment and, more recently, the development of highly flexible forms of employment such as student work and flexi-jobs, which benefit from favourable tax treatment, stands out. "Traditional" temporary work is, however, losing ground.

SLOWDOWN IN JOB CREATION
(annual variation, thousands of people)



Sources: NAI, NBB (estimates based on June 2024 projections).

Labour market participation among the lowest in the EU

Belgium's main weak point is its labour market participation rate, which has improved but remains low by international standards. Defined in terms of the population aged between 15 and 64, in 2023 it stood at 70.5 % in Belgium, 4.3 percentage points below the European average. The participation deficit is particularly marked for so-called "vulnerable groups": low-educated people, those of non-European origin, the young (under 25) and the old (60 and over).

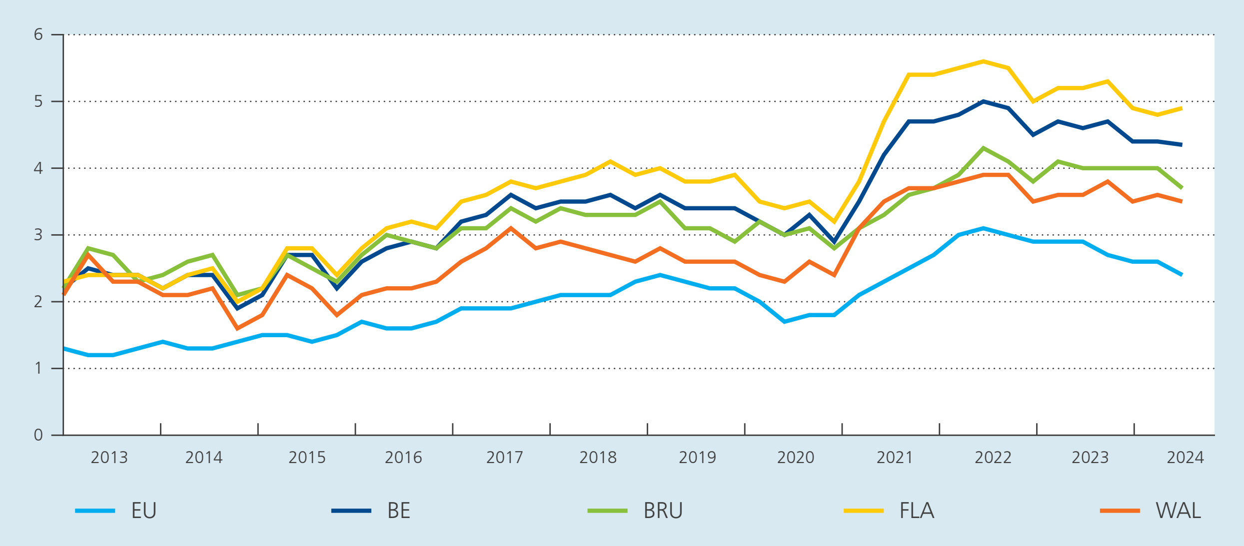
Progress has nevertheless been made in some areas. Over the last two decades, the employment rate of workers aged 55 and over has risen sharply (from 23.6 % in 2000 to 57.8 % in 2023), as has that of women (from 56.0 % to 68.3 % over the same period). The increase in the employment rate of older workers is particularly striking and is linked to measures aimed at making (early) pension schemes more restrictive.

On the contrary, people on long-term sick leave are not performing any better in terms of employment when comparing their current situation with that of the early 2000s. As for low-educated workers, their performance has in fact deteriorated when compared with their situation ten years ago.

Labour shortages are largely fuelled by structural factors

Even if job creation slowed in 2023, **the job vacancy rate remains high** (at 4.35 % in the second quarter of 2024, or 184 000 positions). The low participation rate structurally reduces the number of applicants. Moreover, the working population is ageing, and a growing proportion of workers are reaching (pre-)retirement age. Qualitative factors also come into play: the skills sought by companies and those of candidates do not always match. Nevertheless, many of the jobs in shortage do not require a lengthy investment in training.

LABOUR SHORTAGES ARE A STRUCTURAL PROBLEM
(job vacancies as a % of the total number of jobs)



Sources: Statbel, Eurostat.

Geographical mobility could limit shortages. However, despite the regional disparities observed in terms of unemployment (ranging, in 2023, from 3.3 % on average in the Flemish Region to 8.2 % on average in the Walloon Region and 10.7 % in the Brussels-Capital Region), few unemployed people cross the linguistic border to find a job. Moreover, for several professions, working conditions – including pay, arduousness and working hours – are considered too unattractive. For the unemployed, the financial incentives to accept a job are not always sufficient. In addition to the financial dimension, the quality of the contract being proposed also plays a role in determining the attractiveness of a job offer.

Against this background, a recent report by the High Council of Employment puts forward a series of recommendations, structured around 4 axes: (1) improving activation, (2) promoting the employment of low-educated people, (3) skills in line with changing needs and (4) wage formation.

TREASURY HIGHLIGHTS **89 % of the 2024 funding target has been raised**

Two OLO auctions (in July and September) have been held, raising a total of € 6.049 billion of funding.

OLO auctions (€ 6.049 billion)

Date	OLO		Issued (€ billion)	Yield	Bid-to-cover
July 22	OLO 2.85 % 22/10/2034 OLO 3.50 % 22/06/2055	OLO100 OLO101	1.446 1.056	3.001 % 3.562 %	1.67 1.65
Non-competitive subscriptions			*0.541*		
July total			3.043		
September 23	OLO 0.90 % 22/06/2029 OLO 3.00 % 22/06/2033 OLO 2.75 % 22/04/2039	OLO87 OLO97 OLO96	1.017 1.009 0.791	2.319 % 2.658 % 3.074 %	1.87 2.24 1.83
Non-competitive subscriptions			*0.189*		
September total			3.006		

In addition, on 5 July, the Belgian Debt Agency issued an additional €500 million through its fourth ORI facility and on 2 August, an additional € 501 million through its fifth ORI facility, resulting in a total of € 1.001 billion. The September ORI facility was not exercised.

ORI (€ 1.001 billion)

Date	OLO		Issued (€ billion)	Yield
July 5	OLO 5.00 % 22/03/2035 OLO 0.65 % 22/04/2039	OLO44 OLO96	0.190 0.310	3.192 % 3.369 %
July total			0.500	
August 2	OLO 1.25 % 22/04/2033 OLO 3.00 % 22/06/2033	OLO86 OLO97	0.301 0.200	2.690 % 2.728 %
August total			0.501	

The two OLO auctions and two ORI facilities raised a total of € 7.05 billion.

No EMTNs or Schuldscheine were issued in the third quarter of 2024.

Total medium- and long-term issuances now amount to € 38.630 billion, corresponding to 89.1 % of the € 43.333 billion updated funding target.

In terms of portfolio structure, the average life of the portfolio was 10.62 years (at the end of August). The implicit yield of the portfolio has increased slightly, to 1.98 % (at the end of August).

State Notes

On 4 September, the Belgian Debt Agency repaid the € 21.9 billion raised by the successful one-year State Note campaign of September 2023.

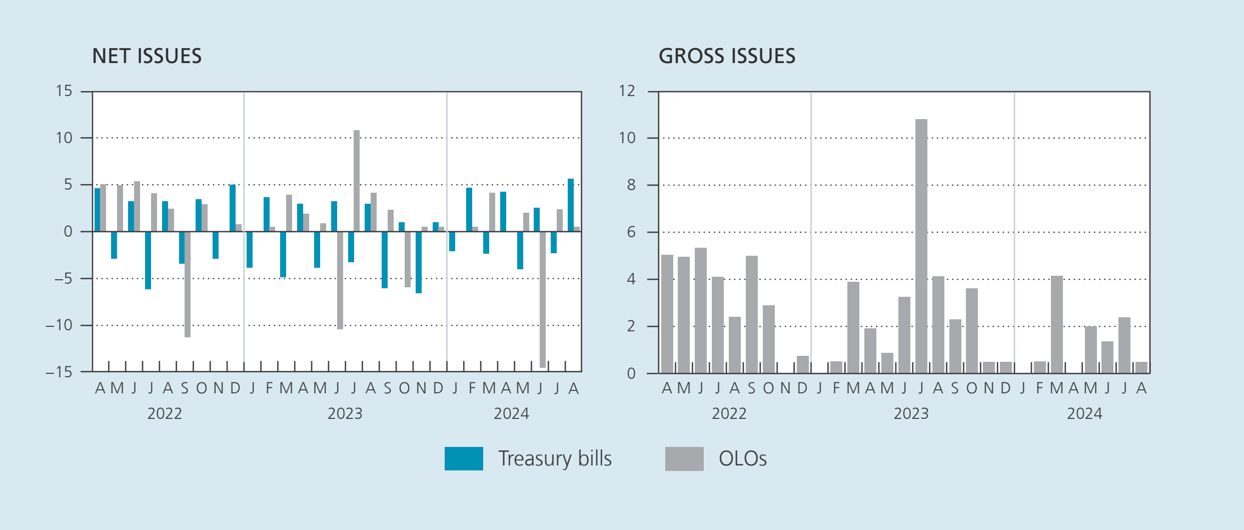
A new campaign was held from 5 - 13 September, during which a one-year State Note and a ten-year State Note were put forward, with coupons of 2.75 % and 2.80 %, respectively. The campaign raised € 402.5 million in total: € 382.7 million from the one-year note and € 19.8 million from the ten-year Note.

Due to a weaker than expected result from the offering of the one-year State Note, the Agency will increase the outstanding amount of Treasury certificates by € 15.0 billion in 2024, instead of € 12.0 billion as was previously announced.

GOVERNMENT SECURITIES STATISTICS

PRIMARY MARKET

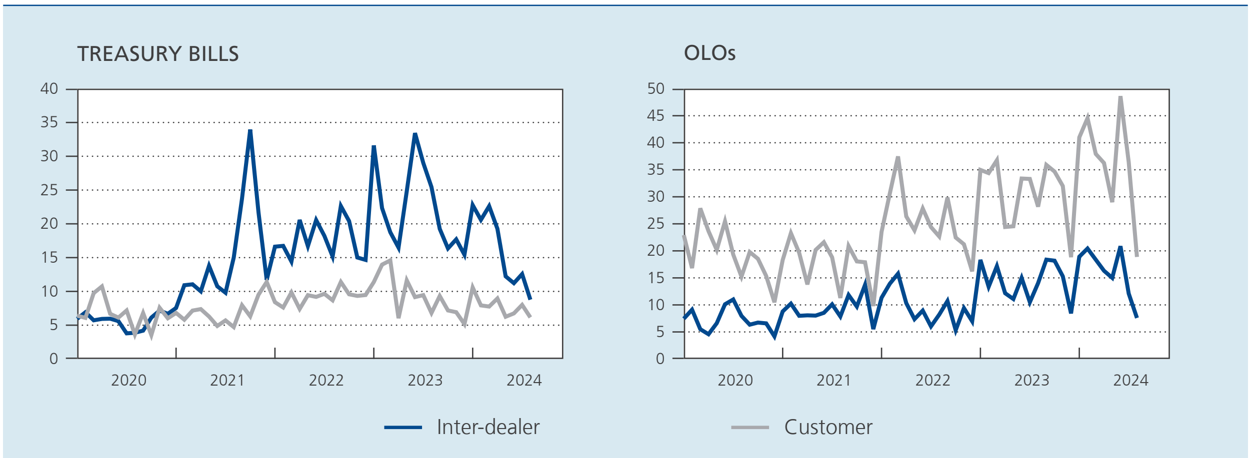
(€ billion)



Source : Belgian Debt Agency.

SECONDARY MARKET TURNOVER

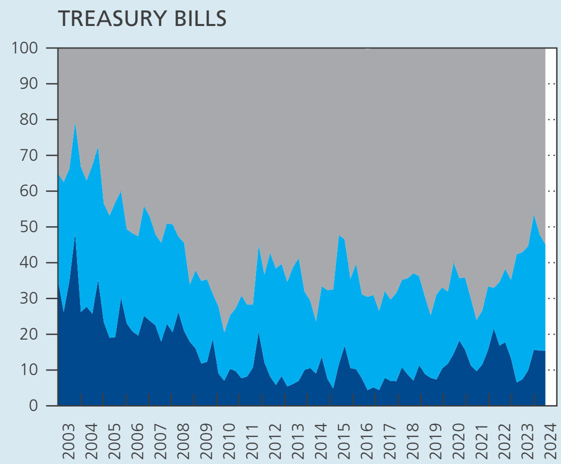
(as reported by primary and recognised dealers to the Debt Agency, € billion)

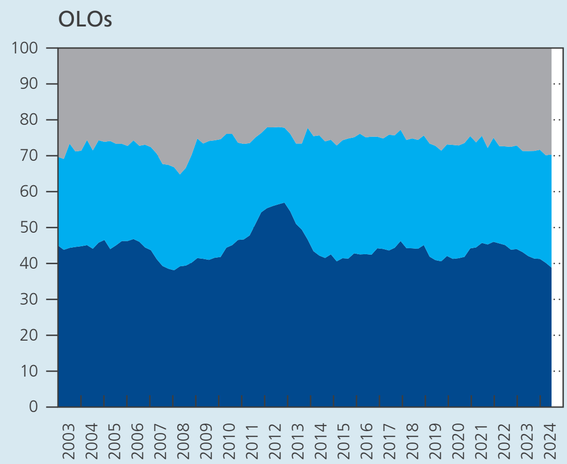


Source : Belgian Debt Agency.

HOLDERSHIP OF BELGIAN SECURITIES

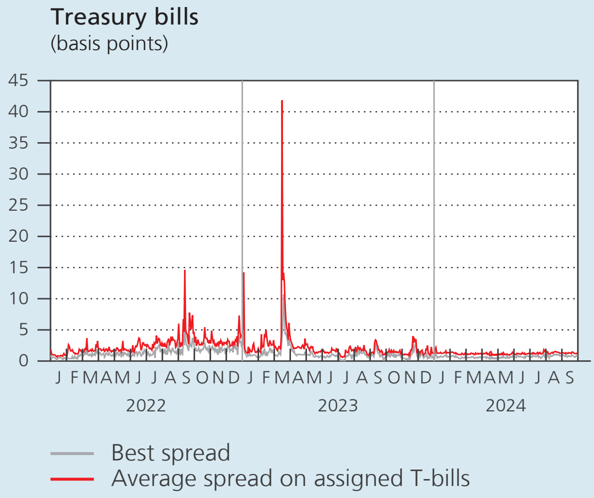
(in %)

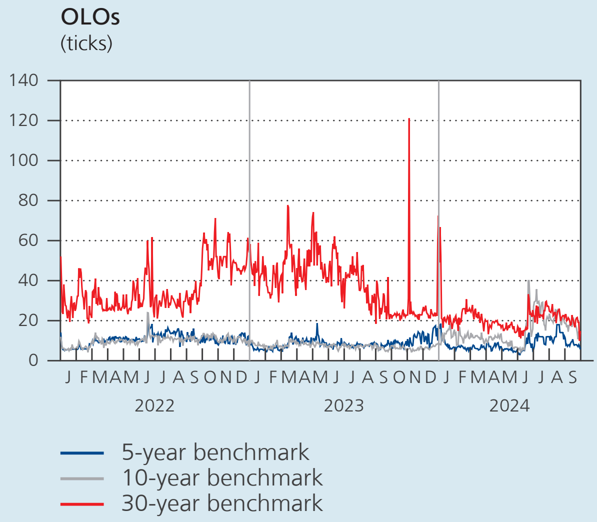




Source : NBB.

BEST BID / OFFER SPREADS [1]

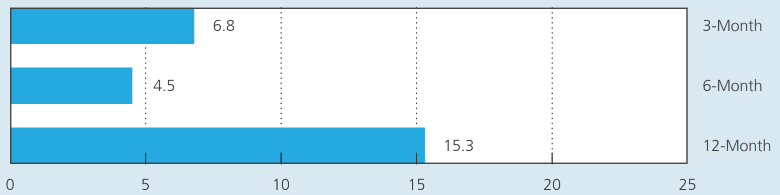


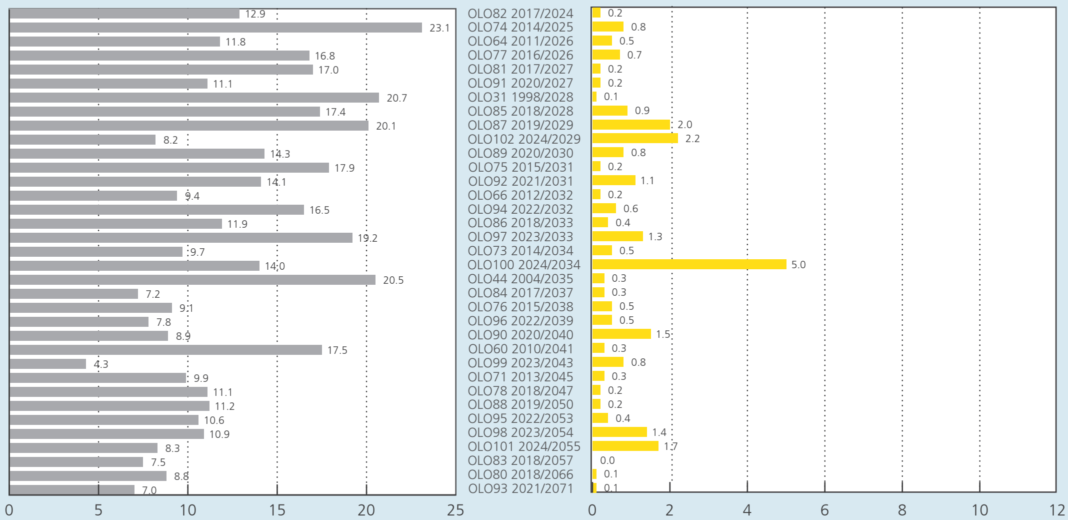


Source : Belgian Debt Agency.
[1] As reported by three electronic platforms (MTS, Broker Tec and BGC eSpeed).

OUTSTANDING AMOUNTS AND TURNOVER

(€ billion)





Source: Belgian Debt Agency.

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Published by: National Bank of Belgium (NBB).

Sources: NBB, unless stated otherwise.
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General information on the Belgian government can be found at www.belgium.be.